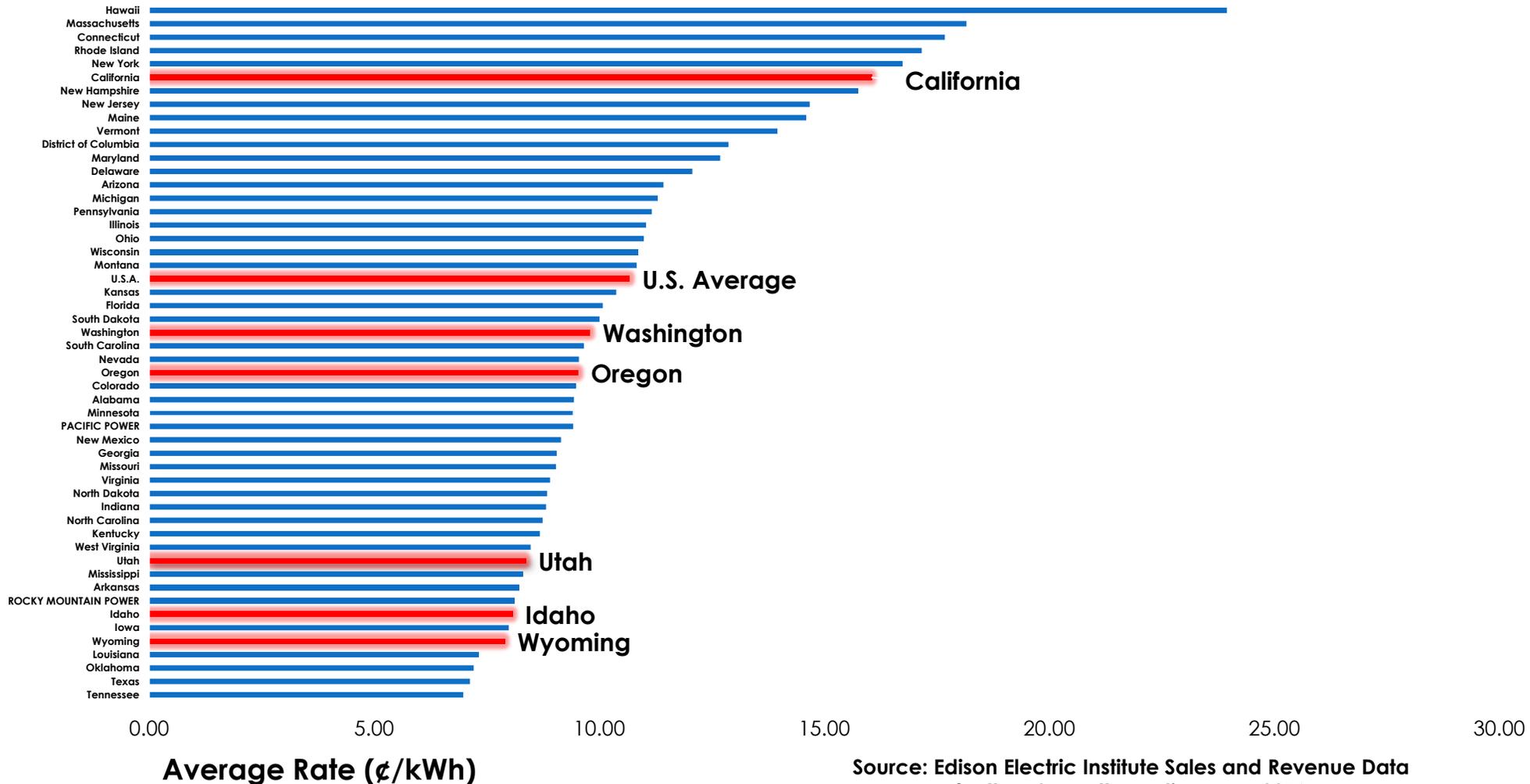


# Public Utility Regulatory Discussion

# Average Electricity Rates by State



Source: Edison Electric Institute Sales and Revenue Data for the 12 months ending June 2016

# Regulatory Compact

- A contract between two parties: (1) the State of Utah and (2) a public utility.
- **Obligation to Serve**
  - Rocky Mountain Power accepts the obligation to serve all customers with reliable service at fixed prices determined by the State of Utah.
- **Right to Serve**
  - In exchange for the obligation to serve at fixed prices, the State of Utah establishes a public utility's exclusive right to serve within a designated service territory.

# Deregulation Key Principles

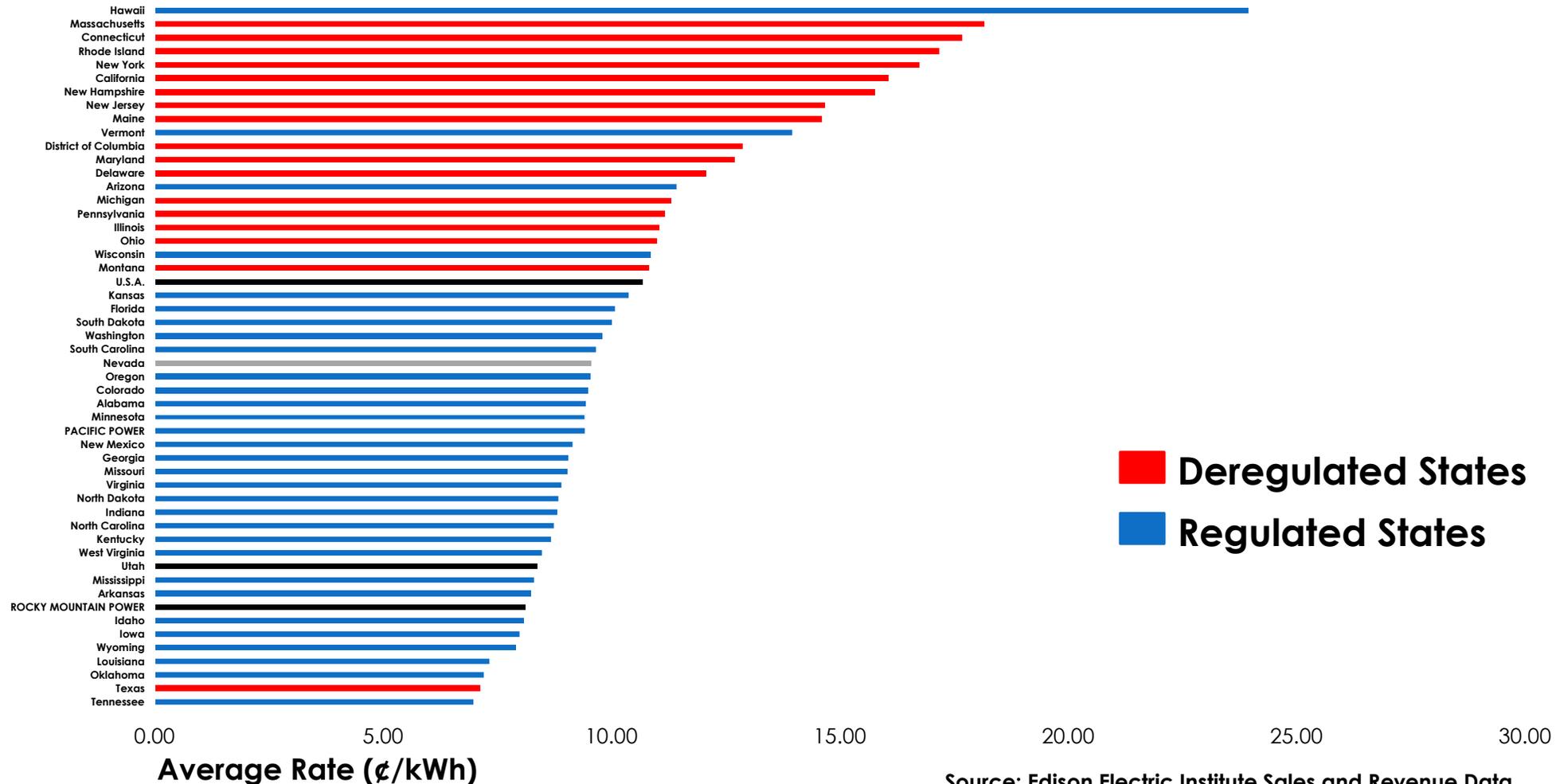
- **Regulatory compact must be upheld**
  - If the state chooses to eliminate the guarantee of service territory, the public utility must be relieved of its obligation to serve all customers
- **Deregulation must not shift costs to other groups or classes of customers**
  - Deregulation should not be done halfway
- **Fairness must be granted to all six PacifiCorp states**
- **Transition costs must be addressed.**
- **All market participants must be treated the same in any state-required programs:**
  - Consumer protection
  - Energy efficiency
  - Environmental requirements
  - Social or public policy program costs
- **Net Metering and PURPA issue must be resolved with costs borne by all market participants**

# Two Key Goals of Electric Deregulation

## 1. Lower Prices

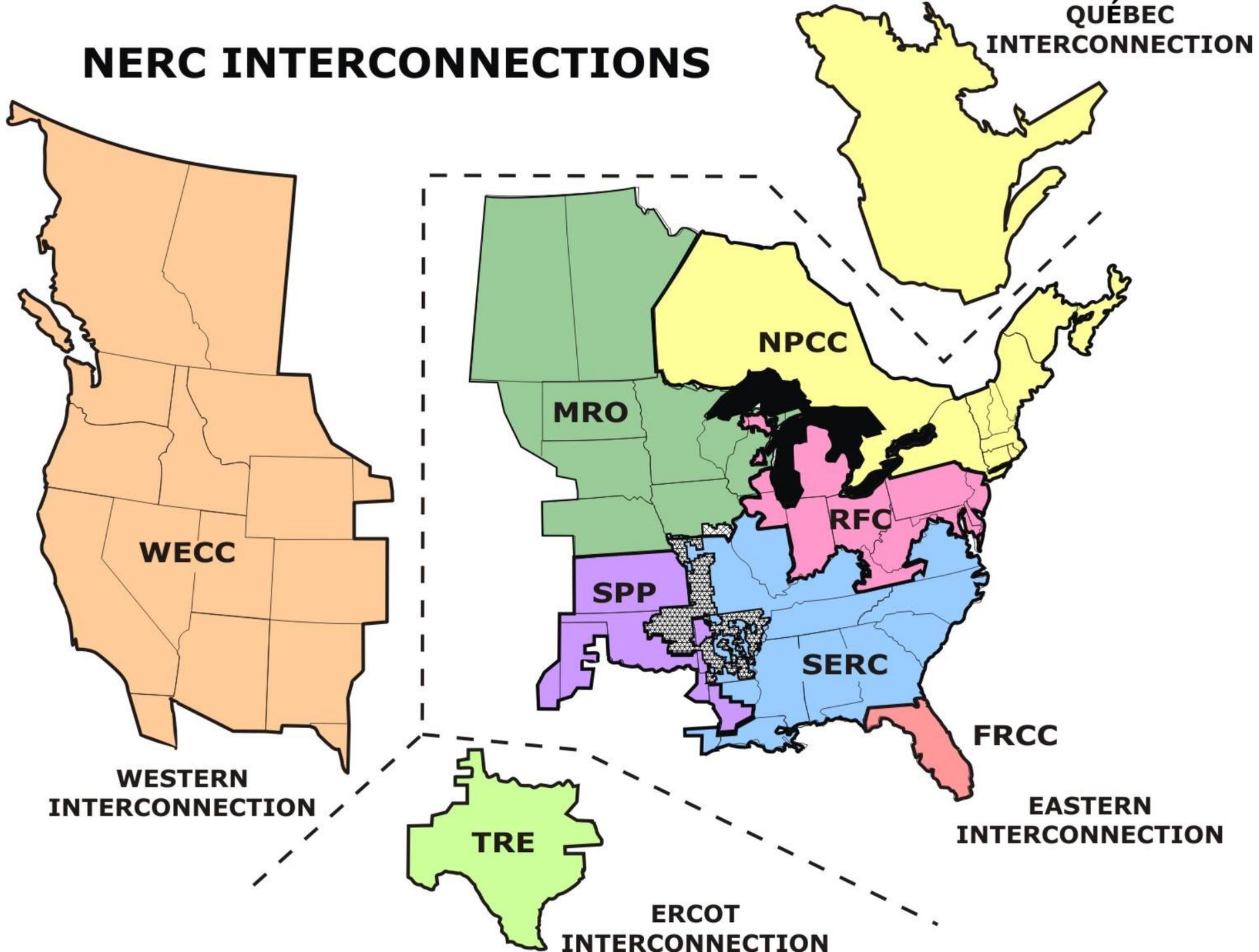
- In some instances, deregulation has resulted in lower prices for one class of customers in a state while raising it for others.
- Most of the deregulated states have higher overall prices than the national average.
- Utah electricity prices are currently among the lowest in the nation.

# Average Electricity Rates by State



Source: Edison Electric Institute Sales and Revenue Data for the 12 months ending June 2016

# NERC INTERCONNECTIONS



# Two Key Goals of Electric Deregulation

## 1. Lower Prices

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## 2. More Choice and Innovation

- Utahns across all customer classes want more choice
- Deregulation allows customers more options in the marketplace
- Regardless of whether or not the state chooses to pursue electric deregulation, we must look for ways to increase choice and innovation.
- Is there a way we can add more choice and innovation within the current regulated utility model?

# Increasing Customer Choice

## ○ Current Projects

- Subscriber Solar
- WattSmart Energy Efficiency
- Renewable Energy Tariff (S.B. 115)
- Blue Sky
- Energy Imbalance Market
- Hill Air Force Base Microgrid (S.B. 115)
- Panguitch Battery Storage (S.B. 115)
- Emery County Clean Coal Research (S.B. 115)
- Customized Pricing for Industrial Customers

## ○ Future Opportunities

- Principle of Indifference - New programs must not adversely impact other customers.
- Salt Lake City, Park City, Summit County and Moab – 100 percent renewable goals
- Individual customers with different energy preferences
- Smart meter technology
- Resilience remains number one priority for customers.

# Issues for Utah Deregulation

- How are system assets addressed across a multi-state platform?
- What does a new marketplace look like? Who will administer market – new ISO or existing (e.g. CAISO)?
- What is the role of capacity markets in order to ensure reliability?
- What is the process to determine a provider of last resort for at-risk customers?
- Who is responsible for maintaining electric reliability?
- What role will the state continue to play in resource adequacy and system planning?
- Who will be responsible for low-income and energy efficiency programs?
- What will the utility do with energy contracts it must sign as required by PURPA? How will costs of existing PURPA contracts be resolved?